

LIFELINE SERVICE

B. REGULATIONS (cont.)

3. An applicant for Lifeline Service must be a current participant in one of the following Pennsylvania programs, or be able to provide proof of household income which is at or below 135% of the annual Federal Poverty Guidelines for all States (except Alaska and Hawaii) and the District of Columbia. Recertification of a representative sample of Lifeline Service participants will be conducted annually by Armstrong Telephone Company-PA.

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(C)Pennsylvania Department of Public Welfare Link Up America Service Programs:

- * Temporary Assistance for Needy Families (TANF)
- * General Assistance (GA)
- * Supplemental Security Income (SSI)
- * Medicaid
- * Food Stamps
- * Low Income Home Energy Assistance Program (LIHEAP)

Additional Eligible Programs (Federal)(C)

- * Federal Public Housing
- * National School Free Lunch Program(C)

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The DPW Programs listed above must be certified by DPW. Such certification by DPW will be provided only when a DPW client requests Lifeline Service based on the client's status as a participant in any of the above eligibility programs. Certification by DPW will be limited to confirmation of the client's program status (i.e., participation or non-participation). Participation by DPW is subject to execution of an agreement with DPW and Armstrong Telephone Company - Pennsylvania.

4. Lifeline Service will be provided to a customer only so long as such customer continues to meet the participation and certification guidelines in 2 (c) above. At the time of initial establishment of Lifeline Service, the customer agrees to have his or her eligibility recertified as determined by Armstrong Telephone Company - Pennsylvania. When the Company is notified by the customer or determines through recertification that the Lifeline Service customer is no longer a participant in the DPW programs in 2 (c) above or otherwise low-income eligible, the customer will be notified (by telephone or letter) that the Lifeline Service rate is no longer applicable. Within the stated customer notification period (10 working days from the date of the notification), the customer can contact the Company to negotiate new Dial Tone Service arrangements at applicable tariff rates (no connection charges will apply for existing services or options retained). If the customer does not contact the Company by the end of the notification period, the Lifeline Service will be changed to applicable Exchange Area Dial Tone Line service at existing tariff rates (no connection charges will apply to existing services or options retained). Upon contacting the Company, the customer will have ten (10) working days to complete the low-income certification or recertification process in order to retain Lifeline Service.

(C) Indicates Change

Armstrong Telephone
Company-Pennsylvania

Section 3
First Revised Sheet 12
Cancels Original Sheet 12

LIFELINE SERVICE

B. REGULATIONS (cont'd)

5. A Lifeline Service customer may not subscribe to any other type of residence Local Exchange Service at the same or other premises. Lifeline Service will not be provided via Foreign Exchange or Foreign Central Office Service arrangements.
6. Only services listed in B (2) above will be provided to Lifeline customers. (C)
7. Lifeline Service customers are required to apply for the Link Up America benefit when applicable.
8. Customer requested temporary suspension of Lifeline Service is not permitted.
9. Lifeline Service does not apply to applicants who are full time students living in university or college controlled housing.
10. The applicant must not be a dependent for Federal Income Tax purposes, unless he or she is 60 years of age or older.
11. Lifeline customers are subject to all Residence service regulations in this and other tariffs of Armstrong Telephone Company-Pennsylvania.
12. Residence Lifeline Service cannot be resold by the Lifeline customer or the Lifeline customer's agent(s).
13. Resale of Lifeline Services are subject to wholesale rate obligations under Section 251 (c)(4) of the Telecommunications Act of 1996.
14. All outstanding charges, account balances and service restrictions apply to existing customers who qualify for Lifeline Service. Service restrictions will remain until the arrearage(s) have been paid in full.
15. Any Lifeline customer who has a past due balance of Toll Charges will be treated with the appropriate Chapter 64 regulations. The Residence Toll Restoral Charge applies to Lifeline Customers who are suspended for non-payment and who subsequently pay their outstanding toll charges and request toll restoral. If a Lifeline customer is toll restricted for a second occurrence the Company may, at its discretion, place the Lifeline customer on permanent toll restriction.
16. Toll-Blocking and Toll-Control services will be provided at no charge to Lifeline Service subscribers, to the extent that they are offered.

(C) Indicates Change

Armstrong Telephone
Company-North

Section 3
Second Revised Sheet 8
Cancels First Revised Sheet 8

LIFELINE SERVICE

C. LIFELINE SERVICE DIAL TONE LINE MONTHLY RATE

1. Applicable Residence Dial Tone monthly rate minus \$1.75 (1)
2. Lifeline Service customers will be billed the applicable Subscriber Line Charge monthly rate and will be given credit for the same amount of the Subscriber Line Charge as prescribed by the Federal Communications Commission at Docket Nos. 00-256, 96-45, 98-77, 98-166, and 00-193. (C)
3. Lifeline Service is subject to all applicable state, local and federal taxes, and Surcharges, and to all applicable tariff rates, charges, surcharges and regulations (C)

NOTE:

- (1) The Dial Tone Line and Subscriber Line Charge monthly rate discounts will be reduced to the extent that application of the full discount would not result in rates that are less than zero.

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(C)

(C) Indicates Change

Issued: December 31, 2001

Effective: January 1, 2002

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

Board of Directors

Armstrong Telephone Company – Pennsylvania, Inc. and Subsidiary

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Armstrong Telephone Company – Pennsylvania, Inc. and Subsidiary (Company), which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REDACTED - FOR PUBLIC INSPECTION

REPORT OF INDEPENDENT AUDITORS (continued)

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Armstrong Telephone Company – Pennsylvania, Inc. and Subsidiary as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
January 14, 2014

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - PENNSYLVANIA, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Subscriber accounts receivable, net of allowance of \$ [REDACTED] and \$ [REDACTED] in 2013 and 2012, respectively	[REDACTED]	[REDACTED]
Other accounts receivable, net of allowance of \$ [REDACTED] and \$ [REDACTED] in 2013 and 2012, respectively	[REDACTED]	[REDACTED]
Material and supplies	[REDACTED]	[REDACTED]
Other current assets	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
NONCURRENT ASSETS		
Deferred income taxes	[REDACTED]	[REDACTED]
Other noncurrent assets	[REDACTED]	[REDACTED]
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	[REDACTED]	[REDACTED]
Nonregulated plant in service	[REDACTED]	[REDACTED]
Telecommunications plant under construction	[REDACTED]	[REDACTED]
Less accumulated depreciation	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - PENNSYLVANIA, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S EQUITY

	September 30,	
	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ [REDACTED]	\$ [REDACTED]
Advance billing	[REDACTED]	[REDACTED]
Related party note payable	-	[REDACTED]
Income tax payable, parent company	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total current liabilities	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
STOCKHOLDER'S EQUITY		
Common stock (\$ [REDACTED] par value, [REDACTED] shares authorized, [REDACTED] shares issued and outstanding)	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	\$ [REDACTED]	\$ [REDACTED]
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See accompanying notes.

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - PENNSYLVANIA, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF INCOME

	Years Ended September 30,	
	2013	2012
Operating revenues		
Wireline		
Customer	\$ [REDACTED]	\$ [REDACTED]
Intercarrier		
Interstate	[REDACTED]	[REDACTED]
Intrastate	[REDACTED]	[REDACTED]
Universal service support - federal	[REDACTED]	[REDACTED]
Internet	[REDACTED]	[REDACTED]
Miscellaneous		
Equipment	[REDACTED]	[REDACTED]
Carrier billing and collection	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Directory	[REDACTED]	[REDACTED]
Uncollectible	[REDACTED]	[REDACTED]
Total operating revenues	[REDACTED]	[REDACTED]
Operating expenses		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
Other operating taxes	[REDACTED]	[REDACTED]
Nonregulated	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Net operating income	[REDACTED]	[REDACTED]
Nonoperating income (expense)		
Interest and dividend income	[REDACTED]	[REDACTED]
Interest expense	[REDACTED]	[REDACTED]
Other nonoperating income	[REDACTED]	[REDACTED]
Income before income taxes	[REDACTED]	[REDACTED]
Income tax expense	[REDACTED]	[REDACTED]
Net income	\$ [REDACTED]	\$ [REDACTED]

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - PENNSYLVANIA, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Changes in assets and liabilities		
Receivables	[REDACTED]	[REDACTED]
Material and supplies	[REDACTED]	[REDACTED]
Other assets	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Advance billing	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
Net cash from operating activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of property, plant, and equipment	[REDACTED]	[REDACTED]
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on related party note	[REDACTED]	[REDACTED]
NET CHANGE IN CASH AND CASH EQUIVALENTS	[REDACTED]	[REDACTED]
CASH AND CASH EQUIVALENTS, beginning of year	[REDACTED]	[REDACTED]
CASH AND CASH EQUIVALENTS, end of year	\$ [REDACTED]	\$ [REDACTED]
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Interest	\$ [REDACTED]	\$ [REDACTED]
Income taxes	\$ [REDACTED]	\$ [REDACTED]